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HON. WHITMAN L. HOLT
Hearing: March 8, 2021
10 a.m. PST
Response: March 1, 2021
4:00 p.m. PST
Reply: March 4, 2021

11 UNITED STATES BANKRUPTCY COURT
12 EASTERN DISTRICT OF WASHINGTON

13 In Re:
14 EASTERDAY RANCHES, INC., *et al*,
15 Debtors.¹

Chapter 11

Lead Case No. 21-00141-WLH11
Jointly Administered

**WASHINGTON TRUST BANK'S
MOTION TO APPOINT CH. 11
TRUSTEE**

and

**JOINDER IN TYSON'S FRESH
MEAT, INC.'S MOTION FOR
APPOINTMENT OF CHAPTER 11
TRUSTEE (ECF 79)**

INTRODUCTION

16 Washington Trust Bank ("Washington Trust"), by and through its attorney
17 Trevor R. Pincock of Lukins & Annis, P.S., hereby moves pursuant to 11 U.S.C. §
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25 ¹ The Debtors along with their case numbers are as follows: Easterday Ranches,
26 Inc., (21-00141-WLH11) ("Ranches") and Easterday Farms, a Washington general
partnership (21-00176-WLH) ("Farms").

**WASHINGTON TRUST BANK'S MOTION TO
APPOINT CH. 11 TRUSTEE: 1**

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1 1104(a)(1) for an order appointing a Chapter 11 trustee to assume control of the
2 estate of Debtor Easterday Farms (“Farms”).

3
4 Washington Trust also hereby joins in Tyson Fresh Meat, Inc.’s Motion for
5 Appointment of Chapter 11 Trustee to assume control of the estate of Debtor
6 Easterday Ranches, Inc. (“Ranches”) (ECF 79) (“Tyson’s Motion”).

7
8 Easterday Farms and Easterday Ranches may collectively be referred to
9 herein as the “Debtors.”

10 Washington Trust is one of the Debtors’ largest secured creditors. It brings
11 this motion based on the massive fraud engineered by Debtors’ prior management
12 and events that occurred in January 2021 while Debtors were under the guidance of
13 Paladin Management. Washington Trust believes the appointment of a Chapter 11
14 trustee to assume control of both Debtors’ estates is in the best interest of creditors.
15

16
17 Washington Trust’s Motion is based on the Declaration of Claire M. Baker
18 filed with this Court on February 3, 2021 (ECF 33), and the Declaration of W.
19 Benjamin Cox filed simultaneously herewith. Washington Trust incorporates into
20 this Motion Tyson’s Motion for Appointment of Chapter 11 Trustee (ECF 79) and
21 the declarations and request for judicial notice filed in support of Tyson’s Motion.
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24 Attached hereto is a [Proposed] Order Directing Appointment of Ch. 11
25 Trustee.
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**WASHINGTON TRUST BANK’S MOTION TO
APPOINT CH. 11 TRUSTEE: 2**

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BACKGROUND

Washington Trust incorporates the Background set forth in Tyson's Motion and supplements that Background as follows:

On or about September 3, 2020, Ranches and Farms signed a Loan Agreement and executed a Promissory Note in favor of Washington Trust evidencing a line of credit in the amount of \$45,000,000.00 (the "Loan"). See Declaration Claire M. Baker, Exhibit A (ECF 33).

Payment of the Promissory Note is secured by collateral identified in Agricultural Security Agreements executed by Ranches and Farms (the "Collateral"). Washington Trust duly perfected its security interest in the Collateral. See Declaration Claire M. Baker, Exhibits B, D (ECF 33).

On December 22, 2020, Washington Trust became aware of Tyson's allegations against Ranches. See Declaration of W. Benjamin Cox, ¶ 3. A Washington Trust representative immediately contacted Cody Easterday to discuss the impact of those allegations on the Washington Trust Loan. Id. On January 4, 2021, Washington Trust representatives met with Cody Easterday, Peter Richter from Paladin Management ("Paladin"), and others at the Easterdays' office in Pasco. Id. at ¶ 5. Mr. Richter from Paladin led the meeting and did most of the speaking. They discussed the Washington Trust Bank Loan and pay down of the

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APPOINT CH. 11 TRUSTEE: 3**

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1 line of credit, and that the Easterday entities were delinquent in providing financial
2 and other reports to Washington Trust. Id.

3
4 From the meeting Washington Trust understood that Paladin was familiar
5 with the terms of the Washington Trust Loan and the Easterday entities' financial
6 situation in general. Id. at ¶ 5. Washington Trust also understood Mr. Richter to
7 say that the Easterday entities, with Paladin's help, were in the process of
8 formulating a plan, which included identification of farm real estate in Benton
9 County that could be sold to generate funds to repay the Washington Trust Bank
10 Loan, but that they needed at least six months to do so. At this meeting Mr.
11 Richter did not specifically identify any real estate that might be sold to repay the
12 Washington Trust Bank loan. There was no discussion about selling the North Lot.
13 Id. at ¶ 6.

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17 Washington Trust representatives asked if the Easterday entities would grant
18 Washington Trust Bank deeds of trust on the farm real estate that would be sold.
19 From Mr. Richter's response Washington Trust understood that the bank should
20 make a proposal. The bank representatives said Washington Trust might consider
21 a forbearance agreement in exchange for deeds of trust on farm real estate. Id. at ¶
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**WASHINGTON TRUST BANK'S MOTION TO
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1 Cody Easterday and Mr. Richter requested Washington Trust to forbear from
2 exercising default remedies based on Farms' failure to provide financial and other
3 reports required by the terms of the Loan. Washington Trust agreed to temporarily
4 forbear on those defaults until January 31, 2021. Washington Trust confirmed that
5 agreement in a letter to Farms. Id. at Exhibit A.

6
7
8 Washington Trust representatives met with Cody Easterday, Mr. Richter
9 from Paladin, and others again on January 22, 2021. Id. at ¶ 9. Mr. Richter led the
10 meeting and did most of the speaking in an effort to assuage Washington Trust's
11 concerns about the situation with Tyson and its impact on the Loan. Mr. Richter
12 explained that a sale of the North Lot was closing that day but he refused to
13 identify the buyer. The bank representatives understood from Mr. Richter that
14 Paladin was still in the process of identifying other real property that the Easterday
15 entities could sell to repay the Washington Trust Bank loan, and that the proposed
16 forbearance agreement was still a possibility. Id. Washington Trust Bank did not
17 approve payment of an intercompany loan to from Ranches to Farms. Id. at ¶ 10.
18 Based on Mr. Richter's and Cody Easterday's comments, Washington Bank
19 representatives left the January 22, 2021, meeting hopeful that an agreement could
20 be reached that would satisfy Washington Trust Bank that the loan would be fully
21 repaid. Id. at ¶ 11.
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**WASHINGTON TRUST BANK'S MOTION TO
APPOINT CH. 11 TRUSTEE: 5**

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1 In hindsight it's clear that Paladin and Cody Easterday were not negotiating
2 in good faith, and that their representations to provide overdue financials and the
3 possibility of granting deeds of trust on farm real estate were hollow promises to
4 delay Washington Trust from taking action to enforce the terms of the Loan as
5 Easterday management (at Paladin's direction) sold the North Lot, paid an
6 intercompany loan, transferred more than a million dollars from Farms to Ranches,
7 and otherwise prepared to generate funds to pay for Paladin's continued
8 management and the impending bankruptcy.

9 On or about January 24, 2021, Tyson filed a complaint against Ranches in
10 Franklin County Superior Court for breach of contract, fraud, and the appointment
11 of a receiver.

12 On January 26, 2021, Washington Trust issued Ranches and Farms written
13 notice of default. The notice of default was issued based on the allegations in
14 Tyson's Complaint, events of default on the Loan, and Farms' failure to act upon
15 representations it made in the meetings with Washington Trust.

16 On January 29, 2021, Washington Trust filed a Complaint against Ranches
17 and Farms for breach of contract and requested the appointment of a receiver.
18 Washington Trust noted a hearing on its motion to appoint a receiver for February
19 1, the same day and time as the hearing scheduled for Tyson's motion to appoint a
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**WASHINGTON TRUST BANK'S MOTION TO
APPOINT CH. 11 TRUSTEE: 6**

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1 receiver. Ranches filed a bankruptcy petition before the hearing. Based on the
2 representations of Farms' counsel that it would file a bankruptcy petition within a
3 week, the Franklin County Superior Court judge orally issued a temporary
4 restraining order that prohibited Farms from doing anything outside the ordinary
5 course of business. Farms filed a bankruptcy petition on February 8, 2021.
6

7
8 Washington Trust shares in Tyson's concerns related to the sale of the North
9 Lot and the distribution of proceeds from that sale, which occurred at the time
10 Paladin was advising the Easterday entities. In addition to these issues, the
11 Easterday entities engaged in other suspicious transactions and clear breaches of
12 the Washington Trust Loan while under the guidance of Paladin, which form
13 additional bases on which Washington Trust seeks the appointment of a Chapter 11
14 Trustee to assume control over both Debtors' estates.
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17 Despite the Loan terms that all of Ranches' and Farms' deposit accounts
18 would be maintained at Washington Trust, none of the funds that were purportedly
19 paid to Farms from the sale of the North Lot were deposited into Washington Trust
20 accounts. See Declaration of Claire M. Baker, ¶¶ 12, 13 (ECF 33). The fact that
21 the proceeds did not flow through Washington Trust accounts was a violation of
22 the Loan terms and is further indication that distribution of the sale proceeds were
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**WASHINGTON TRUST BANK'S MOTION TO
APPOINT CH. 11 TRUSTEE: 7**

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1 meant to benefit Easterday insiders at the expense of, and without notice to,
2 Washington Trust.

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4 Additionally, the Washington Trust Loan agreement provides that “any
5 future intercompany loans or transfers of funds outside of the initial approved
6 capitalization budget of Easterday Dairy, LLC² will also require prior bank
7 approval.” See Declaration Claire M. Baker, Exhibit A (ECF 33). Ranches used
8 proceeds from the sale of the North Lot to pay Farms \$4,748,089 on an
9 intercompany loan. See Declaration of Claire M. Baker, ¶12, Exhibit F (ECF 33).
10 Washington Trust did not approve payment of this intercompany loan, and the
11 funds for payment on that alleged intercompany loan were not deposited into
12 Farms’ accounts at Washington Trust. See Declaration of W. Benjamin Cox, ¶ 10;
13 Declaration of Claire M. Baker, ¶13.

14
15 In addition to these issues related to the sale of the North Lot, Washington
16 Trust discovered that in December 2020 and January 2021, during at least part of
17 the time period that Ranches and Farms were operating under the guidance of
18 Paladin, Farms transferred at least \$1,650,000.00 to Ranches. This is alarming
19 because Ranches purchases feed from Farms and there is no reason (that
20 Washington Trust is aware of) for Farms to transfer funds to Ranches. See
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26 ² Easterday Dairy, LLC is interrelated to Easterday Ranches, Inc. and Easterday Farms.

1 Declaration of Claire M. Baker, ¶ 10 and Exhibit E (ECF 33). To date Washington
2 Trust has not been provided an explanation for these transfers. These transfers are
3 violations of the Loan that occurred, at least in part, while Paladin was advising the
4 Easterday entities and meeting with Washington Trust.
5

6 The above-referenced actions were clear and direct violations of the
7 Washington Trust Loan agreement that occurred prior to the Debtors' bankruptcy
8 filings while Paladin was advising Ranches and Farms. As a result, Washington
9 Trust has no confidence in Paladin's ability to manage the Debtors' estates and
10 requests that a Chapter 11 trustee be appointed to assume control over both
11 Debtors' estates.
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14 LEGAL ANALYSIS

15 Washington Trust joins in, and incorporates at this place, the facts, legal
16 analysis, and arguments set forth in Tyson's Motion.
17

18 CONCLUSION


19 Based on the foregoing, Washington Trust respectfully requests the court to
20 appoint a Chapter 11 trustee to assume control over the estates of both Debtors.
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**WASHINGTON TRUST BANK'S MOTION TO
APPOINT CH. 11 TRUSTEE: 9**

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1 DATED this 19th day of February, 2021.

2 LUKINS & ANNIS, P.S.

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4 By 
5 TREVOR R. PINCOCK
6 WSBA #36818
7 Attorneys for Washington Trust
8 Bank
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**WASHINGTON TRUST BANK'S MOTION TO
APPOINT CH. 11 TRUSTEE: 10**

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APPENDIX 1

PROPOSED ORDER FOR APOINTMENT OF TRUSTEE

See attached.

**WASHINGTON TRUST BANK'S MOTION TO
APPOINT CH. 11 TRUSTEE: 11**

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12 UNITED STATES BANKRUPTCY COURT
13 EASTERN DISTRICT OF WASHINGTON

14 In Re:

15 EASTERDAY RANCHES, INC., *et al*,
16 Debtors.¹

Chapter 11

Lead Case No. 21-00141-WLH11
Jointly Administered

17 **[PROPOSED] ORDER GRANTING**
18 **WASHINGTON TRUST BANK'S**
MOTION FOR APPOINTMENT OF
CHAPTER 11 TRUSTEE

19
20 The Motion of Creditor Washington Trust Bank ("Washington Trust") for
21 Appointment of Chapter 11 Trustee was filed herein on or about February 19, 2021
22 as Dkt. No. ____ (the "Washington Trust Trustee Motion"). The Washington Trust
23 Trustee Motion came on regularly for hearing before the Court on March 8, 2021,
24

25 ¹ The Debtors along with their case numbers are as follows: Easterday Ranches,
26 Inc., (21-00141-WLH11) and Easterday Farms, a Washington general partnership
(21-00176-WLH).

[PROPOSED] ORDER GRANTING MOTION
FOR APPOINTMENT OF CHAPTER 11
TRUSTEE: 1

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1 at 10:00 a.m., after adequate notice (the "Hearing"). Appearances were as noted in
2 the record. The Court has considered the Washington Trust Trustee Motion and
3 the declarations and exhibits filed therewith, along with any oppositions thereto,
4 replies thereto, other pleadings relating thereto, and all evidence filed in connection
5 therewith, and has heard argument of counsel.
6

7
8 Good cause appearing:

9 1. The Washington Trust Trustee Motion is hereby GRANTED. All
10 oppositions thereto are OVERRULED.
11

12 2. The United States Trustee is hereby directed to select a Chapter 11
13 trustee for appointment in this case over the estates of Debtors Easterday Ranches,
14 Inc. and Easterday Farms.
15

16 3. This Order memorializes the Court's ruling made on the record in
17 open court at the Hearing. The Court's ruling on the record shall constitute the
18 Court's findings and conclusions on this matter, and shall be deemed adopted
19 herein.
20

21 **///End of order//**
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**[PROPOSED] ORDER GRANTING MOTION
FOR APPOINTMENT OF CHAPTER 11
TRUSTEE: 2**

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1 Presented by:

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3 LUKINS & ANNIS, P.S.

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5 

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**[PROPOSED] ORDER GRANTING MOTION
FOR APPOINTMENT OF CHAPTER 11
TRUSTEE: 3**

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